

United Stores Corporation

*Report to Stockholders
Year Ending December 31, 1937*

OFFICERS

GEORGE K. MORROW, *Chairman of the Board*

ROBERT W. JAMESON, *President*

RANDOLPH CATLIN, *First Vice-President*

GEORGE WATTLEY, *Secretary and Treasurer*

BOARD OF DIRECTORS

RANDOLPH CATLIN

GEORGE K. MORROW

WILBUR L. CUMMINGS

H. HOBART PORTER

ROBERT W. JAMESON

WALTER B. RYAN, JR.

THOMAS H. MCINNERNEY

EUGENE W. STETSON

GENERAL COUNSEL

SULLIVAN & CROMWELL.....NEW YORK, N. Y.

AUDITORS

PRICE, WATERHOUSE & Co.....NEW YORK, N. Y.

UNITED STORES CORPORATION

15 EXCHANGE PLACE

JERSEY CITY, N. J.

MARCH 25, 1938.

To the Stockholders of

UNITED STORES CORPORATION:

There are presented herewith the following financial statements of United Stores Corporation for the year ending December 31, 1937, with the report of Messrs. Price, Waterhouse & Co. thereon:

Balance Sheet

Statement of Income and Expense

Statement of Surplus

For the information of the stockholders there are enclosed herewith copies of the Annual Report of McLellan Stores Company for the fiscal year ending January 31, 1938, and of the respective Annual Reports of McCrory Stores Corporation and Tobacco Products Corporation of Delaware for the year ending December 31, 1937.

By order of the Board of Directors.

GEORGE K. MORROW,

Chairman.

UNITED STORES

BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash in banks	\$ 103,451.98
Account receivable, at nominal value	1.00 \$ 103,452.98

OFFICE FURNITURE AND FIXTURES, AT NOMINAL VALUE	1.00
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INVESTMENTS:—

At cost:

McCrory Stores Corporation (Note 1)—	
14,100 shares convertible 6% cumulative preferred stock \$100 par value (28.20% of total outstanding)	} \$5,564,862.91
396,138 shares common stock \$1 par value (40% of total outstanding)	

McLellan Stores Company (Note 1)—	
8,322 shares 6% preferred stock, cumulative, convertible, \$100 par value (27.74% of total outstanding)	} 4,521,095.52
380,098 shares common stock, \$1 par value (51.84% of total outstanding)	

After write-down authorized by Board of Directors as at May 31, 1933:

Tobacco Products Corporation of Delaware (Note 2)—	
20,844 shares of capital stock (63.23% of total outstanding) .. (20,263 shares as valued by the Board of Directors in 1933 at approxi- mate book value of \$30 per share, and 581 shares subsequently purchased at average cost of \$27.90)	624,100.25

10,710,058.68

NOTE 1—Quoted market prices at December 31, 1937:—

McCrory Stores Corporation :	
6% preferred stock	72½ bid—79½ asked
Common stock	8

McLellan Stores Company :	
6% preferred stock	50 bid—80 asked
Common stock	65½

NOTE 2—The value of this investment is contingent upon the amount of taxes which may be payable by Tobacco Products Corporation of New Jersey (a wholly owned subsidiary of Tobacco Products Corporation of Delaware) upon \$36,286,128.85 received from American Tobacco Company in commutation of a lease in January 1935. On June 7, 1937 the Treasury Department assessed \$4,967,890.40 as tax, penalty and interest against Tobacco Products Corporation of New Jersey and demanded and received, on account of the tax so claimed, that company's cash balance of \$725,638.27 which was its only asset. The amount of and persons liable for payment of any such taxes have not been finally determined, but in opinion of counsel, United Stores Corporation is not liable therefor.

\$10,813,512.66

To the Board of Directors of
UNITED STORES CORPORATION:

We have made an examination of the balance sheet of United Stores Corporation as at December 31, 1937, accounting records of the corporation and other supporting evidence and obtained information and explanations from

In our opinion, based upon such examination and except as to the question concerning the liability for Federal related statements of income and expense and surplus fairly present, in accordance with accepted principles of account regulation at December 31, 1937 and the result of its operations for the year.

56 Pine Street,
New York, N. Y.
March 18, 1938.

CORPORATION

DECEMBER 31, 1937

LIABILITIES

CURRENT LIABILITIES:

Bank loan payable on demand	\$ 250,000.00
(Secured by 3,700 shares McCrory Stores Corporation 6% preferred stock and 1,450 shares McLellan Stores Company 6% preferred stock)	
Accounts payable	27,373.42
Accrued interest	97.23
Unclaimed dividends	3,070.26
Provision for taxes (Note 3)	142,000.00
Payable to Tobacco Products Corporation of Delaware	213.50 \$ 422,754.41

CAPITAL STOCK AND CAPITAL SURPLUS:—

Capital stock:

\$6 cumulative convertible preferred stock, without par value, preferred over Class A and common as to \$115 per share plus accrued dividends on dissolution—

Authorized—101,800 shares

Outstanding, less 1,800 shares in treasury—99,695 shares, at stated capital of

\$2,492,375.00

NOTE—Preferred dividends have accumulated since August 15, 1929 less \$36 per share paid on account. The arrears at December 31, 1937 amount to \$13.50 per share, or a total of \$1,345,882.50.

Class A stock without par value, convertible, preferred over common as to \$4.20 per annum non-cumulative and as to \$75 per share on dissolution—

Authorized —916,000 shares

Outstanding—915,979 shares at stated capital of

4,579,895.00

Common stock without par value—

Authorized—1,522,200 shares including 1,015,674 shares reserved for conversion of preferred and Class A stocks

Outstanding, less 222 shares in treasury—

504,074 shares at stated capital of

252,087.00

Capital surplus, per statement attached

2,927,638.73

10,251,995.73

EARNED SURPLUS SINCE JANUARY 1, 1937, PER STATEMENT ATTACHED

138,762.52

NOTE 3—The company's Federal income tax returns for the years subsequent to 1933 are subject to final review by the Treasury Department with particular reference to the cost basis of securities sold and the profits resulting from the McCrory Stores Corporation reorganization.

\$10,813,512.66

7 and of the statements of income and expense and surplus for the year 1937. In connection therewith, we examined officers of the corporation.

ral income taxes more fully described in notes to the balance sheet, the balance sheet shown above and the attached ing consistently maintained by the corporation during the year under review, the position of United Stores Corpo-

PRICE, WATERHOUSE & Co.

UNITED STORES CORPORATION

**STATEMENT OF INCOME AND EXPENSE
FOR THE YEAR ENDING DECEMBER 31, 1937**

Income:

Dividends received \$706,743.35

Expenses:

Stock transfer and custodian expenses	\$ 14,834.15
Franchise and capital stock taxes	23,591.31
Interest paid	3,292.62
General and administrative expenses	88,725.66

130,443.74

\$576,299.61

201,117.86

\$777,417.47

Profit from sale of investments

29,684.95

Provision for Federal income tax (no provision was considered necessary
for surtax on undistributed profits)

\$747,732.52

Profit for the year ending December 31, 1937, carried to
statement of surplus

UNITED STORES CORPORATION

**STATEMENT OF SURPLUS
FOR THE YEAR ENDING DECEMBER 31, 1937**

Capital surplus:

Surplus at December 31, 1936, per report to stockholders for that year.	\$2,961,845.37
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Deduct—Excess of cost over stated value of capital stock purchased for retirement:

1,800 shares \$6 cumulative convertible preferred stock . . .	\$ 34,200.00
Scrip, representing 18 shares of common stock	6.64
	34,206.64

Capital surplus at December 31, 1937, per balance sheet..	\$2,927,638.73
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Earned surplus since January 1, 1937:

Profit for the year ending December 31, 1937, per statement attached..	\$ 747,732.52
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Deduct—Dividend of \$6 per share paid in cash on December 27, 1937 on \$6 cumulative convertible preferred stock

Earned surplus at December 31, 1937, per balance sheet..	\$ 138,762.52
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